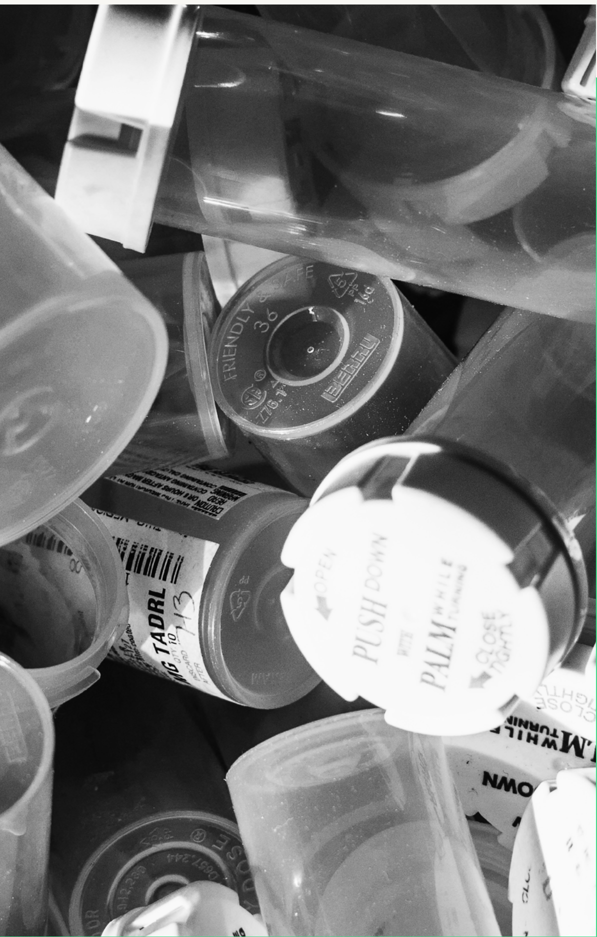
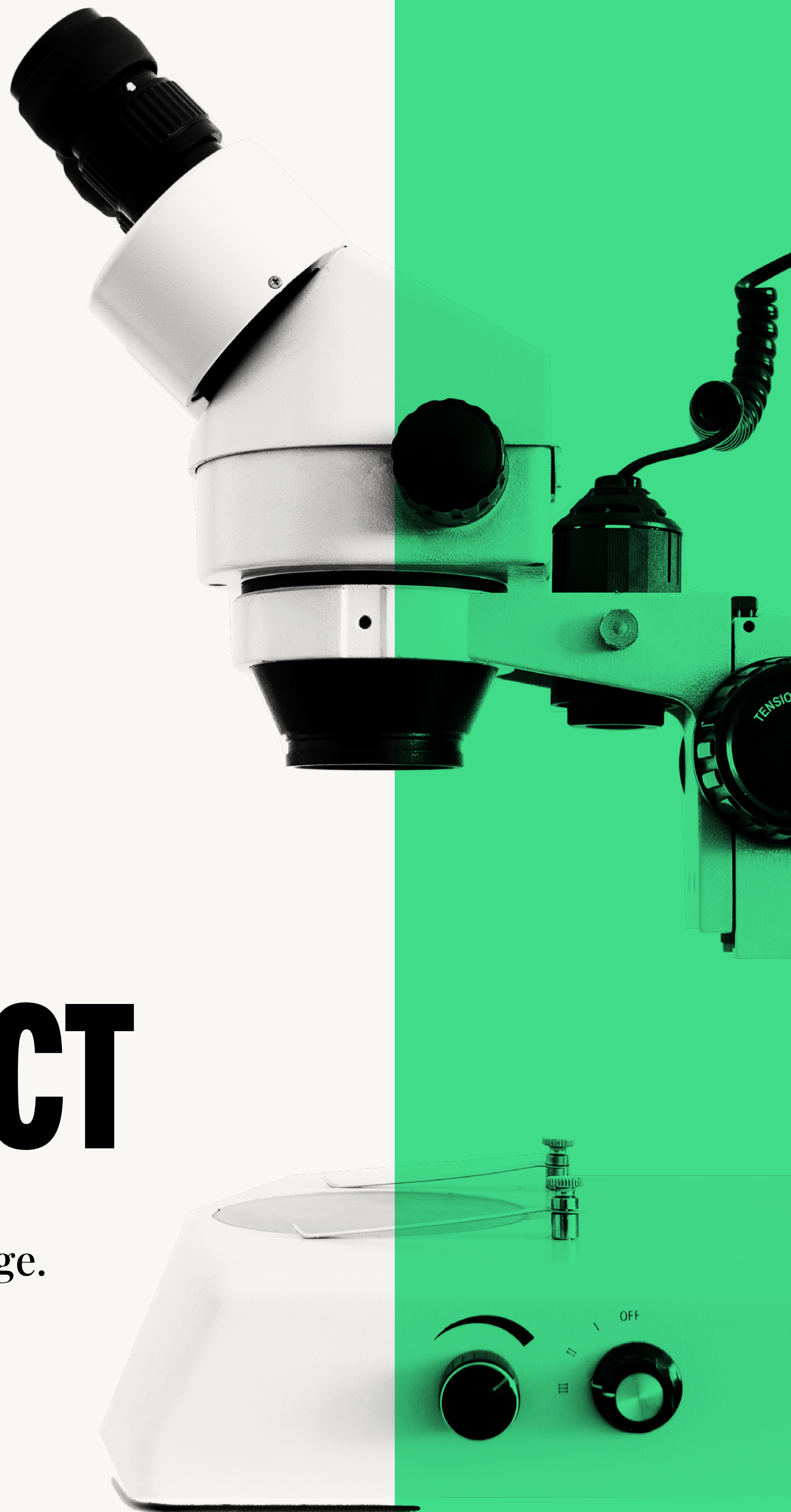
SALTERBAXTER

SEPTEMBER 2025





THE ESG DISCONNECT

How healthcare can reclaim sustainability as a strategic advantage.

EXECUTIVE SUMMARY

The global healthcare sector stands at a defining moment. On the front lines of society's most urgent challenges – from ageing populations and rising chronic diseases to climate-driven health threats - the industry's core purpose is to improve human well-being. Yet an analysis of sustainability reporting and communications from 28 leading healthcare companies reveals a profound disconnect.

Regulatory pressure, particularly in the EU, has pushed many companies into a '**compliance trap**': prioritising what is easiest to quantify over what is most strategically important. Materiality assessments across the sector look strikingly similar, often disconnected from long-term strategy and investment priorities. Critical issues that are difficult to measure, such as biodiversity, pollution, or health outcomes, are underreported, while regional divergences reflect fragmented regulatory environments.

This narrow focus risks obscuring the unique sustainability story of healthcare. By embracing the **dual 'cure-cause' dynamic** – an industry that both improves health and contributes to risks – companies can reframe ESG from a compliance burden into a strategic advantage. Anchoring sustainability in their mission opens powerful opportunities: accelerating innovation, strengthening talent retention, building regulatory trust, and creating long-term value beyond financial metrics.

Introduction: The context of healthcare's ESG challenge

The healthcare industry has long been a beacon of innovation and compassion, a sector dedicated to advancing scientific discovery and preserving human dignity. For decades, its primary focus has been on clinical outcomes and patient care, with sustainability and social impact often relegated to separate, philanthropic functions. However, as the world grapples with interconnected crises – from planetary health degradation to social inequality – the industry's responsibility has expanded. ESG principles are no longer a niche concern for a few investors but a fundamental lens through which to evaluate a company's resilience and long-term viability.

Extensive sustainability reporting regulations, particularly the EU's CSRD (Corporate Sustainability Reporting Directive), have been developed to ensure companies acknowledge their efforts to manage sustainability-related impacts, risks and opportunities. But instead of catalysing transformation, the regulatory push is driving many companies into a compliance trap; sustainability is framed as a reporting burden, not a strategic asset. What could be a platform for innovation, talent, and market growth risks becoming a tick-box exercise.

This paper argues that healthcare companies cannot afford to reduce ESG to compliance. By aligning sustainability with their core mission—improving health—they can unlock strategic advantage: faster innovation, stronger talent retention, regulatory goodwill, and broader market access.

28 **Our analysis draws on public sustainability, integrated, and ESG reports from 28 leading healthcare companies across Europe, the UK, and the US. It is structured around three themes:**

01 **Materiality and disclosure:** how regulatory divergence is shaping what companies prioritise, and the risks of a compliance-first approach.

02 **Narrative and purpose:** how healthcare companies communicate their sustainability story, and where gaps remain.

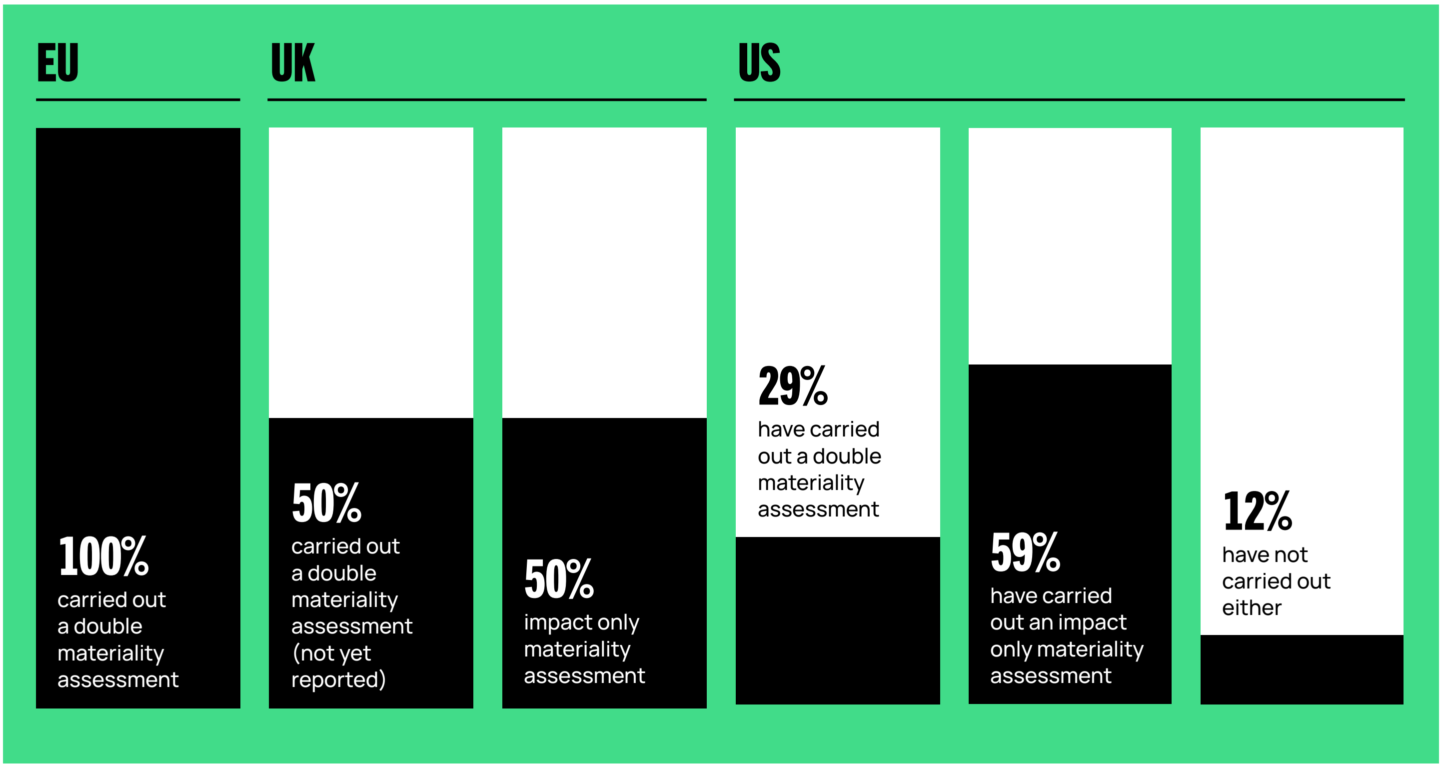
03 **The future ESG landscape:** the 'missing pieces' that current frameworks overlook but will define the sector's long-term impact.

04 **Appendix:** Research methodology.

Our analysis seeks to illuminate a path forward for an industry uniquely positioned to lead the global sustainability transformation by moving beyond the superficiality of compliance toward genuine strategic integration.

01 LIFTING THE VEIL ON MATERIALITY AND DISCLOSURE

The foundation of any robust ESG strategy is an honest and strategic assessment of what is truly 'material' to a business and its stakeholders. Our analysis revealed a clear regional divide, shaped heavily by regulatory pressures and cultural norms. Most of the companies we reviewed have carried out either an impact or double materiality assessment, but the rigour and scope vary significantly.



A tale of three regions: Divergence in approach

EU Companies: 100% of EU companies have carried out a double materiality assessment, reflecting the stringent requirements of frameworks like CSRD. However, due to the late transposition of Member States of CSRD, we noted that companies have opted not to disclose the full extent of the double materiality assessment and the impact, risks and opportunities. This regulatory push has resulted in the highest disclosure rates for topics that are directly relevant to a company's operational and environmental impact. This is especially visible in topics like hazardous substances, where **82% of EU companies** disclose substances of concern, compared to just **12% in the US, a clear reflection of Europe's stringent REACH chemical regulations**.

UK Companies: In the UK, companies that would inherently be caught by CSRD have stated that they have either conducted a double materiality assessment but won't disclose it until next year, or that it was an imminent priority at the time the report was published. Given that these companies will be caught by both UK and EU reporting standards, now diverging due to simplifications, it will be a complicated maze to navigate.

US Companies: The US, operating in a less-regulated environment from a reporting prospective, demonstrates a more selective and voluntary approach. Only **29%** of US companies have carried out a double materiality assessment, while a majority, **59%**, have conducted an impact-only assessment. A further **12%** have not carried out either. US companies tend to focus on topics driven by market and investor demand, with a greater emphasis on community impact (**65%**), cybersecurity (**59%**), product innovation (**59%**), and responsible AI (**24%**). This focus often aligns with what is most attractive to investors and consumers in the US market, rather than a comprehensive assessment of environmental and social impact.

Where there's alignment: Our analysis revealed that companies across all regions have achieved near-universal disclosure in ESG areas of climate change and social inclusion (with a focus on access and affordability). These topics now represent minimum expectations for any credible ESG strategy. However, when looking closely at climate change, the majority of companies address the impact of climate change on their operations and value chain.

What cannot easily be measured often fails to be recognised as material

Our analysis reveals a clear skew in reporting: companies are over-indexing on topics that are easy to quantify and underreporting those that are harder to assess but are equally, if not more, impactful. For instance, **100%** of companies disclosed the equal treatment of their own employees, a metric that is relatively straightforward to measure. In contrast, value chain impacts and broader societal and environmental issues receive far less attention: only **32% of companies** consider pollution a material topic, **25%** biodiversity, and just **21%** on value chain equal treatment. This suggests a 'compliance trap' where reporting is driven by convenience rather than strategic relevance.

This trend is particularly evident in three key areas: Biodiversity, Substances of Concern and Pollution.

The ESRS standardisation trap

While standardisation has undeniable benefits, it's also resulting in a 'materiality tunnel vision', where high-impact topics like health awareness and outcomes are underplayed. Despite being in the business of health, only **36% of all the companies reviewed** identify health awareness and outcomes as a material topic, which is arguably one of the most fundamental measures of a healthcare company's performance and impact. This suggests that the current reporting frameworks may be unintentionally pushing companies to focus on a narrow set of criteria at the expense of their core mission. The drive to make metrics comparable across industries can lead to a homogenization of what is considered 'important', causing companies to overlook their most unique and mission-critical contributions.

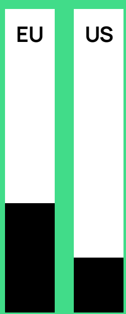
SPOTLIGHT

BIODIVERSITY

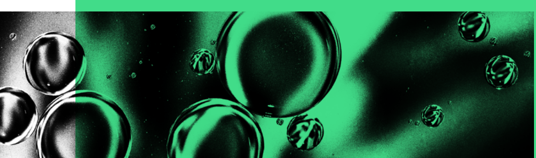
Companies consider biodiversity a material topic

36%
EU companies

18%
US companies



Only **36% of European companies** considered biodiversity material, compared to just **18% of US companies**. The majority of these disclosures focus on raw materials and internal operations. This lack of acknowledgement is a significant risk, as it blinds companies to potential supply chain disruptions due to increasing biodiversity regulations and reputational damage.

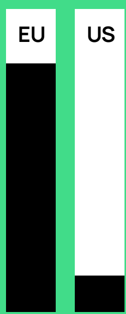


SUBSTANCES OF CONCERN

Companies considering substances of concern a material topic

82%
EU companies

12%
US companies



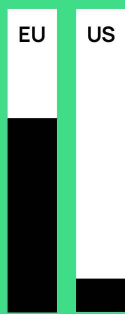
While **82% of European companies** address this as a material topic, only a handful provide a detailed approach to green chemistry. This is where the 'reporting-reality gap' becomes clear: US companies, while not prioritising this in their materiality, often provide more concrete detail on their green chemistry initiatives in other parts of their reporting, driven by an internal business case for innovation rather than a regulatory mandate. This paradox underscores the limitations of compliance-driven reporting, which can fail to capture the full scope of a company's strategic efforts.

POLLUTION

Companies considering pollution a material topic

64%
EU companies

11%
US companies



64% of European companies consider pollution material, compared to just 11% of US companies.
A key finding is that European companies, operating under more stringent regulations, treat pollution as a core business risk that requires systemic change and investment in new technologies. More specifically on in the pharmaceutical industry, while most EU companies acknowledge the disposal problem, far fewer view pharmaceutical environmental contamination as a priority business concern. In contrast, US companies often view it as a compliance or reputational issue, worth mentioning, but not prioritising.

02 MAPPING THE HEALTHCARE SUSTAINABILITY NARRATIVE

Healthcare companies have a unique opportunity to tell a sustainability story rooted in their mission to improve lives. Yet our analysis shows that while a few stand out, most remain caught between ambitious visions and narrow reporting, missing the chance to connect purpose with practice.

People and Planet: The missing link

A few leading companies are beginning to articulate the interconnectedness of human and planetary health, recognising that the health of one is inextricably linked to the health of the other. **AstraZeneca** calls the climate crisis "the largest health crisis of our time," while **Bristol Myers Squibb** declares a "belief that a healthy environment is critical to healthy communities." This is a crucial step in shifting the narrative from a siloed approach to a holistic one. However, strategic integration remains broadly underdeveloped, as these connections are often mentioned in high-level statements, but there is limited evidence that it is driving fundamental business transformation.

SPOTLIGHT

sanofi

Sanofi conducted a comprehensive study analysing 6,843 reports to assess environmental health impacts on its drug portfolio. Results showed 70% of current products and 78% of pipeline drugs target diseases affected by environmental hazards like air pollution, temperature extremes, and chemical contamination. Other key findings showed that cardiovascular disease (CVD) and diabetes are the top two therapeutic areas that will be impacted by the environmental hazards. They committed to continue developing innovative medicines and vaccines to protect patients with diseases exacerbated by climate change.

GSK

GSK has committed **£1 billion over ten years** to Global Health R&D, advancing six assets to address priority diseases exacerbated by climate change. This demonstrates a long-term commitment to proactive, rather than reactive, health solutions, and a clear link between its R&D and global environmental trends.

Johnson&Johnson

Johnson & Johnson has a programme to increase climate resilience in **100 free and charitable clinics by 2025**, a tangible example of a company moving beyond simple donations to build long-term community capacity for adapting to climate change.

Access and equity: Beyond philanthropy

Beyond environmental and planetary considerations, healthcare's key lever for sustainability impact lies in the social pillar, with improving lives at the core of many companies' healthcare missions. Increasingly, we see companies build a strong business case for addressing health inequality, both at the country level and between wealthy nations and low-and middle-income countries (LMICs). They are developing strategies to ensure their products are not only widely available and affordable but also adapted to the local context and adopted by patients and practitioners.

However, many healthcare companies are still approaching health equity primarily as a philanthropic effort, rather than integrating it into their core business strategies and operations. While this can be appropriate for certain circumstances, it may not offer long-term solutions to access barriers, especially on their own. As such, we see a fairly sizeable gap existing between recognising the importance of health equity and implementing well-defined strategies with measurable goals and accountability.

The DEI divide

Following the 2024 US election, US healthcare companies have scaled back DEI references in their reports, with one US company cutting the use of 'diversity' terminology in their report by **90%**, including any reference to diversity in clinical trials. In contrast, European companies have largely maintained their commitments. This divergence highlights how political climates can influence ESG priorities. Most concerning is the finding that, despite the critical importance of diversity in clinical trials, a legal requirement in the US, our research found that only **21% of all companies reviewed** consider this a material topic in their reports. This is a significant business and public health risk, as clinical trials that do not include diverse populations may lead to less effective or even unsafe drugs for specific demographic groups.

SPOTLIGHT

PARTNERSHIP FOR A MUTUAL GOAL

The **Access to Medicine Foundation** has identified companies like **Bristol Myers Squibb, Novartis, Novo Nordisk, Pfizer, and Sanofi** as demonstrating best practice with inclusive business models. For example, **Pfizer's Accord for a Healthier World** offers its products on a not-for-profit basis to **45 countries**, moving beyond traditional charity to a sustainable, business-integrated model of access. This approach shows how companies can address global health disparities in a way that is both impactful and sustainable.

DIVERSITY IN CLINICAL TRIALS

Diversity in clinical trials is a priority in both the EU and the US, essential for scientific validity and equitable healthcare outcomes.

In the US, the **FDA's DEPICT Act** (2022) requires Diversity Action Plans from drug and device sponsors to boost enrolment of underrepresented groups – addressing stark gaps, such as Black/African Americans and Hispanic/Latinos making up 14% and 18% of the population but only 5–7% and 8% of trial participants. Recruitment barriers, from mistrust to logistics, are being addressed through partnerships with community organisations and decentralised trial models.

In Europe, the **Clinical Trials Regulation** and initiatives like **Trials@Home** promote technology-enabled, decentralised trials to improve access and representativeness.

Despite regulatory momentum, only 28% of companies in our review consider diversity in clinical trials as a material topic.

03 THE FUTURE ESG LANDSCAPE FOR HEALTHCARE

Current ESG reporting frameworks struggle to address the sustainability implications of transformative trends, creating both challenges and opportunities that will define the sector's future. These are the 'missing pieces of the puzzle', the critical interconnections that are not reflected in current materiality assessments or ESG strategies.

3.1 The demographic challenge

By **2030, one in six people worldwide will be over 60**. This monumental trend not only increases demand on already strained healthcare systems but also creates a more climate-vulnerable population, as the elderly are often more susceptible to heatwaves and other climate-related events. The workforce shortage in the healthcare sector, as highlighted in some reports, is a direct result of these shifts and a key social risk. A truly strategic ESG approach would integrate these demographic shifts into long-term business planning, anticipating future market needs and societal pressures.

3.2 AI: A double-edged innovation

The advent of AI is a massive strategic priority for the industry, promising to accelerate drug discovery and improve diagnostics. Yet, its ESG implications are rarely listed as material. According to recent studies, AI systems require up to **33 times more energy** than traditional software, presenting a significant environmental challenge. Furthermore, the risk of algorithmic bias, which could perpetuate health inequities, is another critical social dimension that is not adequately addressed in reporting. This is a perfect example of a strategic priority that is disconnected from its full ESG impact.

3.3 Climate action and growth tensions

While healthcare contributes approximately **4.4% of global emissions**, the industry is also investing heavily in expansion to meet growing demand. Companies like **Novo Nordisk** are committing over **DKK 129 billion** in capital expenditure for growth while maintaining ambitious environmental targets. This tension between growth and climate action is a key challenge that will require innovative solutions. The industry must find a way to decouple its growth from its carbon footprint, a task that goes far beyond simple compliance and into a complete re-engineering of its value chain. Beyond reducing operational emissions, pharmaceutical and healthcare companies should strategically assess how climate-related diseases will disproportionately impact vulnerable populations—infants, the elderly, and pregnant women. By incorporating climate health scenarios into strategic planning, these companies can allocate capital expenditure toward R&D that addresses emerging disease patterns, such as heat-related cardiovascular conditions or vector-borne infections expanding into new regions, ultimately helping mitigate broader societal health impacts.

3.4 Women are not little men

One of healthcare's most significant ESG gaps is systematic under-attention to gender health disparities. The medical principle that 'women are not little men' highlights physiological differences affecting everything from drug metabolism to disease presentation, yet few companies treat gender health equity as a core ESG priority. This represents both social justice issues and substantial business opportunities. Women comprise roughly half of the patient population, yet medical research has historically focused predominantly on male subjects. Companies prioritising gender-inclusive research and development processes are positioning themselves to serve markets more effectively while advancing equity objectives.

3.5 The 'cure-cause' dynamic

This recurring theme is at the heart of healthcare's ESG future. The industry provides cures, but its operations, from supply chains to manufacturing, also create sickness and environmental strain, through pollution, for example. The companies that will thrive are those that recognise this tension explicitly, addressing their 'dual impact' of both creating and curing sickness. This involves a fundamental shift in mindset, from simply managing external risks to proactively addressing the societal and environmental problems that are a byproduct of their operations.

CONCLUSION

From compliance to competitive advantage

Healthcare companies are at an inflexion point. Our analysis reveals a sector caught between the demands of compliance and the vast potential of genuine strategic integration. The evidence is clear: while **100% of companies report on equal treatment**, a metric that is easily measured, only **36% identify health outcomes** as material. The missing pieces of the puzzle, the missed connections, the unacknowledged risks and the short-term focus prevent the industry from aligning its ESG efforts with its core purpose.

The path forward requires three strategic imperatives:.

1. Embrace the 'cure-cause' dynamic:

View the inherent tensions within the business, such as growth vs. climate impact or innovation vs. equity, as design challenges, not burdens to be managed. Companies like Novo Nordisk, transparent about near-term emissions rising before reduction, build trust and enable innovation.

2. Reclaim a unique narrative:

Companies should resist generic templates and craft narratives that reflect their unique contributions. By elevating topics central to their business, like access to medicine and health equity, companies can build trust and brand loyalty that transcends a simple ESG score

3. Integrate across the entire value chain:

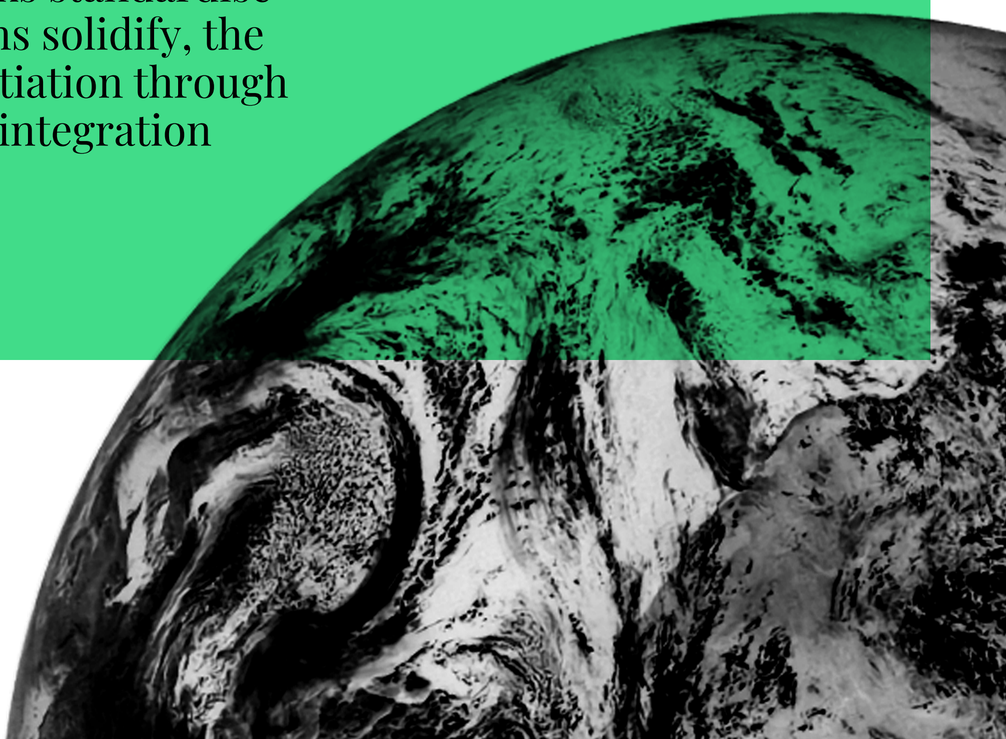
Embed ESG into core decision-making, from R&D and supply chains to patient engagement. ESG must become a driver of value creation, not a siloed reporting function.

The companies highlighted in our analysis show what's possible. By moving beyond compliance and making sustainability a strategic driver, healthcare can create a virtuous cycle of innovation, trust, and resilience – reaffirming its purpose and securing its role as a leader in building a healthier, more sustainable future for all.

THE TIME FOR STRATEGIC SUSTAINABILITY IS NOW

Healthcare companies have spent decades building trust as healers and innovators. The ESG era demands they extend this mission from individual patients to planetary health, from current populations to future generations, from profitable markets to global health equity.

For healthcare executives, board members and sustainability leaders, the message is urgent: the window for sustainability competitive advantage is closing rapidly. As regulatory frameworks standardise and investor expectations solidify, the opportunity for differentiation through authentic sustainability integration is narrowing.



Want to talk to us?

At Salterbaxter, we help companies develop actionable sustainability strategies and communications, making them stand out and ensuring their progress is recognised across peers and stakeholders.

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04 APPENDIX

Research methodology:

This research employed a qualitative and quantitative analysis of 28 companies within the healthcare industry across the EU, UK and US across the following industries: pharmaceuticals, medical devices and diagnostics, pharmacy and health care services, wholesalers, insurance and managed care and medical facilities. As part of the research, we have reviewed companies' annual and sustainability reports that would cover the 2024 reporting cycle, published not later than July 2025.

Below is a summary of the key material topics addressed by companies we have reviewed, broken down by geography.

Topic	EU & UK	US	Total
S1 Equal treatment and opportunities for all	100%	100%	100%
E1 Climate change	100%	94%	96%
S4 Social inclusion of consumers and end-users	91%	100%	96%
S1 Working conditions	100%	76%	86%
S4 Personal safety	82%	88%	86%
S2 Other work-related rights	82%	71%	75%
S4 Information-related impacts	73%	65%	68%
G1 Corruption and bribery	82%	53%	64%
E5 Resource outflows	82%	47%	61%
G1 Management of relationships with suppliers	45%	65%	57%
E5 Resource Inflows	64%	41%	50%
G1 Political engagement	27%	59%	46%
E3 Water	55%	35%	43%
G1 Cybersecurity	18%	59%	43%
S3 Community impact	9%	65%	43%
ES Product Innovation	18%	59%	43%
E2 Substances of concern	82%	12%	39%
S2 Working conditions	91%	6%	39%
S1 Other work-related rights	45%	29%	36%
ES Health awareness / health outcomes	36%	35%	36%
E2 Pollution	64%	11%	32%
G1 Animal welfare	55%	18%	32%
E4 Biodiversity	36%	18%	25%
G1 Corporate culture	55%	12%	29%
S2 Equal treatment and opportunities for all	45%	6%	21%
ES Responsible AI	9%	24%	18%
G1 Corporate culture	18%	6%	11%
ES Digital innovation	0%	18%	11%
G1 Protection of whistleblowers	18%	0%	7%
ES Patent protection	18%	0%	7%
ES Bioethics	9%	6%	7%
ES Hearing health	18%	0%	7%
ES Allergy treatment	18%	0%	7%
E3 Marine resources	9%	0%	4%
ES Environmental impact on human health	0%	6%	4%
ES Counterfeit and illicit trade	0%	6%	4%

Additional Insights:

This analysis provides a comprehensive overview of sustainability reporting trends across healthcare sectors and regions. For detailed findings on specific industries, sector-specific benchmarking data, or in-depth analysis of particular material topics, we invite you to contact us directly. It would be our pleasure to share granular insights that may be particularly relevant to your organisation's strategic sustainability planning and reporting objectives.